Canada's Nuclear Regulator

Canadian Nuclear Safety Commission
Quarterly Financial Report
For the quarter ended September 30, 2012

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Canadian Nuclear Safety Commission
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Canadian Nuclear Safety Commission Quarterly Financial Report
For the quarter ended September 30, 2012.

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To order a printed copy of the document in English or French, please contact:

Canadian Nuclear Safety Commission
280 Slater Street
P.O. Box 1046, Station B
Ottawa, Ontario K1P 5S9
CANADA

Tel.: 613-995-5894 or 1-800-668-5284 (in Canada only)
Facsimile: 613-995-5086
E-mail: info@cnsc-ccsn.gc.ca
Web site: nuclearsafety.gc.ca

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Canadian Nuclear Safety Commission
Statement Outlining Results, Risks and Significant Changes in Operations, Personnel and Program

Introduction

This quarterly report has been prepared by management, as required by section 65.1 of the *Financial Administration Act*, and in the form and manner prescribed by the Treasury Board Secretariat. This quarterly report should be read in conjunction with the Main Estimates and Supplementary Estimates as well as *Canada's Economic Action Plan 2012* (Budget 2012).

The Canadian Nuclear Safety Commission (CNSC) is an independent regulatory agency and quasi-judicial administrative tribunal with jurisdiction over all nuclear-related activities and substances in Canada. Its responsibilities and authorities are to regulate the use of nuclear energy and materials, so that the health, safety and security of Canadians and the environment are protected, and to respect Canada's international commitments on the peaceful use of nuclear energy.

Further details on the CNSC's authority, mandate and program activities can be found in the *Reports on Plans and Priorities* and the *Main Estimates*.

Basis of presentation

Management has prepared this quarterly report by using an expenditure basis of accounting, as opposed to an accrual basis. The accompanying Statement of Authorities includes the CNSC's spending authorities granted by Parliament and those used by the CNSC consistent with the Main Estimates and Supplementary Estimates for the 2012–13 fiscal year. This quarterly report has been prepared as prescribed by the Treasury Board Secretariat to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before monies can be spent by the Government. Approvals are given in the form of annually approved limits, through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.

When Parliament is dissolved for the purposes of a general election, section 30 of the *Financial Administration Act* authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the Government to withdraw funds from the

Consolidated Revenue Fund. A special warrant is deemed to be an appropriation for the fiscal year in which it is issued.

The CNSC uses the full accrual method of accounting to prepare and present its annual audited financial statements, which are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

Funding of operations

The CNSC is mainly funded from a revenue spending authority (RSA), allowing the cost recovery of activities through fees collected from industry. This budgetary statutory authority provides a sustainable and timely funding regime to address the rapid changes in regulatory oversight workload associated with the Canadian nuclear industry.

The CNSC is also funded through an annual appropriation from Parliament. Regulations state that some licensees, such as hospitals and universities, are exempt from paying fees as these entities exist for the public good. In addition, fees are not charged for activities that result from CNSC obligations that do not provide a direct benefit to identifiable licensees. These include activities with respect to Canada's international obligations (including the non-proliferation activities), public responsibilities such as emergency management and public information programs, and the updating of the *Nuclear Safety and Control Act* and associated regulations, as appropriate.

As such, the voted budgetary authorities include Vote 20 – program expenditures – while the budgetary statutory authorities are comprised of contributions to the employee benefit plans (EBP) and expenditures pursuant to paragraph 29.1(1) of the *Financial Administration Act* (which the CNSC refers to as the revenue spending authority – RSA).

This quarterly report has not been subject to an external audit or review.

Highlights of Fiscal Quarter and Fiscal Year to Date Results

Authorities analysis

As reflected in the following authorities table, the CNSC has seen an increase of $4.0 million in total authorities available compared to the same quarter of the prior year. The $4.0 million consists of an increase of $3.5 million due to Vote 20 – program expenditures (including associated contributions to employee benefit plans) and a $0.5 million increase in revenue spending authority.

Authorities *(in thousands of dollars)*	2012–13	2011–12	Variance
Vote 20 – Program expenditures	**31,051**	**27,885**	**3,166**
Contributions to employee benefit plans (EBP)	**3,841**	**3,488**	**353**
Expenditures pursuant to paragraph 29.1(1) of the *Financial Administration Act*	**89,663**	**89,185**	**478**
Total budgetary expenditures	**124,555**	**120,558**	**3,997**

Vote 20 – Program expenditures

The total appropriation increased by $3.5 million, or 11.2%, including contributions to employee benefit plans. The net increase in appropriation is explained by the following significant events:

- the permanent renewal of funds used to provide assurance that international regulatory obligations on the peaceful use of nuclear energy are met ($5.7 million)
- transfer to Shared Services Canada to pool existing resources from across Government to consolidate and transfer IT infrastructure (i.e., data centres and network services) ($1.5 million)
- the final incremental reduction to the CNSC for the 2009 Strategic Review ($0.8 million)
- transfer to the Canadian Institutes of Health Research, the Social Sciences and Humanities Research Council of Canada and the Natural Sciences and Engineering Research Council of Canada for the support of student research in the nuclear field being performed at Canadian post-secondary institutions ($0.1 million)

Expenditures pursuant to paragraph 29.1(1) of the Financial Administration Act

The revenue spending authority has remained consistent quarter over quarter. The increase in authority totalling $0.5 million (or 0.5%) is mainly driven by an increase in forecasted special projects, offset by a decrease in revenue associated with power reactors and radioactive waste facilities.

Expenditure analysis

The total program expenditures are comparable quarter over quarter; comparing $27.3 million in the second quarter of 2012–13 to $27.6 million reported in the same period of 2011–12 shows a $0.4 million (or 1.4%) decrease in spending. Year-to-date program expenditures increased by $0.1 million (or 0.2%) from 2011–12 to 2012–13, from $53.2 million to $53.3 million.

Budgetary expenditures by standard object

The statement of budgetary expenditures by standard object shows that most of the CNSC's spending is comparable quarter over quarter. The overall decrease from the second quarter of fiscal year 2011–12 to the same time period of fiscal year 2012–13 is mainly in personnel, repair and maintenance, and acquisition of machinery and equipment due to:

- the transfer of IT infrastructure, including 10 full-time equivalents, to Shared Services Canada
- savings found through productivity improvements and the evaluation of program relevance and effectiveness as a result of the implementation of the Deficit Reduction Action Plan outlined in Budget 2012

The decrease in expenditures are offset by increases in rental costs due to the continuation of renovations and expansion of regional offices and storage facilities and the issuance of payments to recipients in support of the CNSC's transfer payment program compared to the same time period in 2011–12.

Risks and uncertainties

The CNSC's Quarterly Financial Report reflects the results of the current fiscal period in relation to the *Main Estimates* and *Supplementary Estimates* for which Parliament has granted the authority.

The CNSC has identified the following internal and external risks that affect its objectives.

Expenditure Restraints

To restore fiscal balance, the Government has implemented a number of measures to improve efficiency while lowering the rate of growth in the size and operations of the public service. The CNSC is addressing reduced flexibility to its operating budget as a

result of the expenditure restraint measures reported in Economic Action Plan 2012 ($0.5 million in 2012–13), the 2010 Strategic Review reported in Budget 2011 ($1.5 million in 2012–13) and the cost containment measures due to the freeze on operating budgets set out in Budget 2010. The CNSC is managing the implementation of these measures by reviewing its activities funded by parliamentary appropriation and identifying savings aimed at increased productivity and program efficiencies.

Major project delays

In recent years, the CNSC developed and implemented an aggressive recruitment strategy, in anticipation of new major nuclear projects advancing in Canada. The CNSC adjusted its plans to respond to industry projections, including delays in the announcements of new nuclear power plants in Canada, as a result of the economic downturn. If such projects are further delayed or cancelled outright, cost recovery revenues could be significantly affected. The CNSC has initiated contingency plans to adapt to changes without compromising its capacity to meet its regulatory responsibilities.

Unforeseen demands

An additional challenge that the CNSC faces is unforeseen demands (for example: the Fukushima nuclear accident in March 2011; and the public concerns over the transport of the steam generators through the Great Lakes that was the subject of significant and unplanned public hearings in 2011), which can draw on the CNSC's financial and human resources that are otherwise allocated to planned regulatory activities. While the CNSC responds by revising plans and reallocating resources, the CNSC will continue to work to maximize efficiency in these instances.

Significant Changes in Relation to Operations, Personnel and Programs

As part of the Government's plan for Responsible Resource Development, which seeks to modernize the regulatory system for project reviews, the *Canadian Environmental Assessment Act* (S.C. 1992, c. 37) (CEA Act) was repealed when the *Canadian Environmental Assessment Act, 2012* (CEAA 2012) came into force on July 6, 2012.

The CEAA 2012 and its regulations establish the legislative basis for the federal environmental assessment process. The CNSC is solely responsible for conducting environmental assessments for nuclear projects described in the *Regulations Designating Physical Activities*. The Minister of the Environment may also designate a project not identified in the *Regulations Designating Physical Activities* if the project may cause adverse environmental effects or there are public concerns about such effects.

Under the new CEAA 2012, the CNSC will no longer conduct screening-type environmental assessments and review panels. Instead, the CNSC will focus on a standard environmental assessment for major economic projects that would have been considered comprehensive studies under the old CEA Act. The scope of factors to consider in the environmental assessment is relatively the same, with only the impact of the project on renewable resources being removed. Aside from the CNSC being the sole responsible authority for nuclear projects, the conduct of the environmental assessment is identical and still includes mandatory public participation. The exact public participation opportunities provided during the environmental assessment are also still at the discretion of the CNSC. Environmental assessments conducted in other provinces or jurisdictions will still be conducted in accordance with the federal–provincial/territorial environmental assessment cooperation agreements.

The CNSC continues to demonstrate that it responds to unexpected matters swiftly, effectively and with transparency, as shown by its actions following TEPCO's Fukushima Daiichi nuclear accident in Japan. Much effort focused on ensuring that the lessons learned from that accident further strengthened the safety of Canadian nuclear facilities.

The CNSC's main objectives have not changed. The CNSC still aims to regulate the use of nuclear energy and materials to protect the health, safety and security of Canadians and the environment. However, spending and the use of existing resources must also be targeted. The CNSC has reviewed its work methods and looked at the work to be carried out in the future, and is adjusting its efforts to be as effective and efficient as possible.

Budget 2012 Implementation

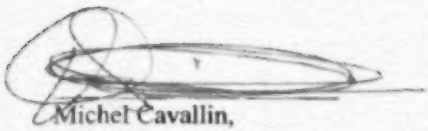
This section provides an overview of the savings measures announced in Budget 2012 that have been implemented in order to refocus Government and programs, make it easier for Canadians and business to deal with their Government, and modernize and reduce the back office.

The CNSC will achieve Budget 2012 savings of $1.3 million by fiscal year 2013–14 through efficiency measures and program reductions that align resources to its core mandate, scaling back where the need is reduced, transforming how it works internally, and consolidating and streamlining activities. With these changes, the CNSC will focus on supporting management excellence and accountability across Government.

In 2012–13, the first year of implementation, the CNSC will achieve savings of $0.5 million. Savings will increase and result in ongoing savings of $1.3 million by 2013–14.

There are no financial risks or uncertainties related to these savings.

Approved by:



Michel Cavallin,
Chief Financial Officer

2012/11/22
Date

Michael Binder, President
President

NOV 22 2012
Date

Statement of Authorities

(in thousands of dollars)	Fiscal year 2012–2013			Fiscal year 2011–2012		
	Total available for use for the year ending March 31, 2013 *	Used during the quarter ended September 30, 2012	Year to date used at quarter-end	Total available for use for the year ended March 31, 2012 *	Used during the quarter ended September 30, 2011	Year to date used at quarter-end
Vote 20 – Program expenditures	31,051	8,118	17,591	27,885	7,779	16,442
Budgetary statutory authorities						
Contribution to employee benefit plans	3,841	960	1,920	3,488	872	1,744
Expenditures pursuant to paragraph 29.1(1) of the *Financial Administration Act*	89,663	18,172	33,824	89,185	18,995	35,052
Total budgetary authorities	**124,555**	**27,250**	**53,335**	**120,558**	**27,646**	**53,238**
Non-budgetary authorities	-	-	-	-	-	-
Total authorities	**124,555**	**27,250**	**53,335**	**120,558**	**27,646**	**53,238**

More information is available in the attached table.
* Includes only authorities available for use and granted by Parliament at quarter-end.

Departmental Budgetary Expenditures by Standard Object

(in thousands of dollars)	Fiscal year 2012–2013			Fiscal year 2011–2012		
	Planned expenditures for the year ending March 31, 2013 *	Expended during the quarter ended September 30, 2012	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2012 *	Expended during the quarter ended September 30, 2011	Year to date used at quarter-end
Expenditures:						
Personnel	92,434	21,399	43,084	92,124	21,906	43,432
Transportation and communications	5,512	878	1,848	5,029	901	1,976
Information	950	196	360	535	124	288
Professional and special services	12,966	2,828	4,782	11,441	2,904	4,667
Rentals	3,647	1,328	2,059	3,080	552	599
Repair and maintenance	3,303	137	177	2,887	489	1,038
Utilities, materials and supplies	1,129	164	325	550	169	342
Acquisition of land, buildings and works	-	(7)	-	-	-	-
Acquisition of machinery and equipment	2,974	143	223	3,076	624	739
Transfer payments	1,516	246	407	1,770	19	125
Other subsidies and payments	124	(62)	65	66	(42)	32
Loans investment and advances	-	-	5	-	-	-
Total gross budgetary expenditures	**124,555**	**27,250**	**53,335**	**120,558**	**27,646**	**53,238**
Total net budgetary expenditures	**124,555**	**27,250**	**53,335**	**120,558**	**27,646**	**53,238**

* Includes authorities available for use and granted by Parliament, and other expenditures anticipated to be granted authority within the fiscal year at quarter-end.